

Message Text

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ACTION EB-08

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CEA-01 CIAE-00 COME-00 FRB-03 INR-10 NSAE-00
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FM AMEMBASSY CARACAS

TO SECSTATE WASHDC 3487

C O N F I D E N T I A L SECTION 1 OF 2 CARACAS 7815

E.O. 11652: GDS

TAGS: EGEN SHUM EAID VE NU JM PE

SUBJECT: VISIT OF STATE-TREASURY TEAM TO CARACAS AUGUST 18-20

REF: CARACAS 7750

1. AS INDICATED IN REFTEL, STATE-TREASURY TEAM'S DISCUSSIONS WITH ECONOMIC DECISION MAKERS IN CARACAS WERE NOT LIMITED TO USE OF HUMAN RIGHTS CRITERIA IN FORMULATING INTERNATIONAL FINANCIAL INSTITUTION (IFI) LOAN DECISIONS, BUT COVERED A NUMBER OF OTHER ISSUES OF INTEREST TO THE GOV. MINISTER OF STATE MANUEL PEREZ GUERRERO AND FOREIGN TRADE INSTITUTE PRESIDENT REINALDO FIGUEREDO ESPECIALLY USED OPPORTUNITY TO APPEAL FOR BROADER USG UNDERSTANDING OF AND MORE SPECIFIC SUPPORT FOR PROBLEMS OF DEVELOPING WORLD. STATE-TREASURY TEAM UNDERTOOK TO REPORT CONVERSATIONS TO WASHINGTON.

2.HUMAN RIGHTS AND THE INTERNATIONAL FINANCIAL INSTITUTIONS. PEREZ GUERRERO AND FIGUEREDO AGREED THAT THE USG AND GOV HAD AS A COMMON OBJECTIVE THE PROTECTION OF HUMAN RIGHTS. THEY AGREED THAT IT WAS ESSENTIAL TO INSURE THAT IFI LOAN DECISIONS DID NOT CONTRADICT HUMAN RIGHTS OBJECTIVES. BOTH CONFIRMED THAT THE GOV WOULD TAKE INTO ACCOUNT HUMAN RIGHTS CRITERIA WHEN REACHING A DECISION ON HOW TO VOTE ON
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A SPECIFIC LOAN. THE NEGATIVE GOV VOTE ON A RECENT IDB LOAN TO CHILE WAS CITED AS AN EXAMPLE. THE OBJECTIVE OF THE POLICY WAS TO INFLUENCE RECIPIENT GOVERNMENTS TO MODIFY INTERNAL POLICIES AND IMPROVE THEIR RECORD ON HUMAN RIGHTS.

3. ON THE OTHER HAND, BOTH PEREZ GUERRERO AND FIGUEREDO

AGREED THHAT THERE WERE LIMITS TO IMPLEMENTATION OF THIS POLICY. ONE HAD TO BE SURE BASIC HUMAN NEEDS WERE BEIING MET IN POORER COUNTRIES. FOR POOR PEOPLE WITHOUT ADEQUATE FOOD AND SHELTER THE HUMAN RIGHTS ISSUE WAS NOT VERY MEANINGFUL. IT MAY BE NECESSARY TO APPORVE LOANS FOR GOVERNMENTS WITH POOR HUMAN RIGHTS RECORDS. WE SHOULD AVOID PUTTING TOO MUCH EMPHASIS ON THE HUMAN RIGHTS ISSUE AT THE EXPENSE OF OTHER PROBLEMS IMPORTANT TO THE DEVELOPING WORLD.THESE ISSUES INCLUDED, INTER ALIA, BETTER ACCESS TO DEVELOPED COUNTRY MARKETS, STABLE PRICES FOR BASIC COMMODITIES AND A RESOLUTION OF THE LDC DEBT PROBLEM. NONETHELESS, BOTH AGREED THAT THE GOV SUPPORTED THE GENERAL THRUST OF THE US HUMAN RIGHTS POLICY, AND ASKED THAT THE USG CONSULT WITH VENEZUELA PRIOR TO A FINAL DECISION TO VOTE NEGATIVELY ON A SPECIFIC LOAN DECISION.

4. CESAR EGANA, ACTING PRESIDENT OF THE VENEZUELAN INVESTMENT FUND, HOWEVER, RESPONDED SOMEWHAT DIFFERENTLY TO THE STATE-TREASURY PRESENTATION. HE PREFACED HIS REMARKS BY POINTING OUT THAT THE MINISTER OF FOREIGN AFFAIRS WAS THE OFFICIAL SPOKESMAN ON EXTERNAL POLICY MATTERS, BUT THEN EXPRESSED CONCERN THAT THE USE OF HUMAN RIGHST CRITERIA BY IFIS MIGHT DENY A COUNTRY THE RESOURCES IT NEEDS FOR BASIC DEVELOPMENT. CERTAIN PROJECTS, INCLUDING THOSE OF BENEFIT TO THE POOREST PEOPLE IN A SOCIETY (E.G., IMPROVED POTABLE WATER SUPPLIES IN RURAL AREAS)SHOULD RECEIVE RESOURCES
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REGARDLESS OF THE HUMAN RIGHTS RECORD OF THE GOVERNMENT IN POWER. HE LINKED ECONOMIC PROGRESS TO POLITICAL AWARENESS, AND ARGUED THAT A DENIAL OF ECONOMIC ASSISTANCE MAY PROLONG THE RULE OF AN AUTOCRATIC GOVERNMENT. FOR THIS REASON HE DID NOT FAVOR INVOLVING THE IFIS AS A MEANS TO PROMOTE HUMAN RIGHTS OBJECTIVES IN INDIVIDUAL COUNTRIES. ALTHOUGH VENEZUELA HAS ALWAYS BEEN A PROPONENT OF HUMAN RIGHTS, THE GOV HAS ALSO RENDERED ASSISTANCE TO COUNTRIES WITH QUESTIONABLE HUMAN RIGHTS RECORDS; HE CITED GOV ASSISTANCE TO CENTRAL AMERICAN COUNTRIES AS AN AN EXAMPLE. (DEPARTMENT SHOULD NOTE THAT VENEZUELAN INVESTMENT FUND HAS THE RESPONSIBILITY FOR IFI MATTERS WITHIN THE GOV,AND THUS PLAYS A VERY IMPORTANT ROLE IN POLICY FORMULATION.)

5. TOUGH IFI LOAN CRITERIA. FIGUEREDO EXPRESSED THE VIEW THAT IFI LOANCRTERIA WERE OFTEN TOO RIGID, IMPOSING ALMOST IMPOSSIBLE BURDENS ON STRUGGLING COUNTRIES. HE NOTED THAT PRESIDENTS PEREZ AND CARTER HAD DISCUSSED THIS SUBJECT IN THE PAST. PERU WAS CITED AS AN EXPAMPLE OF A COUNTRY TRYING TO COPE WITH GRAVE ECONOMIC PROBLEMS AND IN NEED OF SUBSTANTIAL ADDITIONAL ASSITANCE. THE IMF WAS INSISTING ON TOUGH CONDITIONS IN RETURN FOR HELP, CONDITIONS SO

STRINGENT THAT THE GOP MAY FIND IT IMPOSSIBLE BOTH TO
IMPLEMENT THEM AND PRESERVE POLITICAL STABILITY. BECAUSE

OF THE ECONOMIC SITUATION AND THE IMF POSTURE, THE
GOP FACES THE POSSIBILITY OF HAVING TO DISMISS 30,000 PUBLIC
EMPLOYEES IN THE NEXT THREE YEARS, WITH NO POSSIBILITY
OF ALTERNATIVE EMPLOYMENT. AN EXPLOSIVE SITUATION WILL
BE CREATED. BOLIVIA AND JAMAICA WERE LISTED AS ADDITIONAL
EXAMPLES OF COUNTRIES ATTEMPTING TO COPE WITH A DIFFICULT
SITUATION AND FACED WITH A LACK OF UNDERSTANDING FROM THE
DEVELOPED COUNTRIES. TOUGH CRITERIA MAY APPEAL TO
ECONOMISTS, BUT OFTEN CARRY AN ENORMOUS SOCIAL AND
POLITICAL COST. FIGUEREDO ASKED FOR A CLEAR UNDERSTANDING
WITH THE U.S. THAT IFI ASSISTANCE CRITERIA SHOULD BE
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FLEXIBLE ENOUGH TO COPE WITH DIFFICULT SITUATIONS WHERE
RECIPIENT COUNTRIES ARE AT ONCE STRIVING FOR ECONOMIC DEVELOPMENT
WHILE PRESERVING POLITICAL STABILITY AND DEMOCRATIC INSTITUTIONS.

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FM AMEMBASSY CARACAS
TO SECSTATE WASHDC 3488

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6. CURRENT INTERNATIONAL MONETARY SITUATION. PEREZ
GUERRERO EXPRESSED CONCERN ABOUT THE CURRENT WORLD
FINANCIAL SITUATION GENERALLY, AND ESPECIALLY THE RECENT
DECLINE OF THE DOLLAR IN INTERNATIONAL MONETARY MARKETS.
(AS THE DEPARTMENT IS AWARE, VENEZUELA'S CURRENCY IS
LINKED TO THE DOLLAR, AND MOST OF THE COUNTRY'S FOREIGN

EXCHANGE RESERVES ARE HELD IN DOLLARS OR DOLLAR DENOMINATED ASSETS). A SMALL COUNTRY CAN HAVE MONETARY PROBLEMS WITH LITTLE CONSEQUENCES FOR THE REST OF THE WORLD. WHEN A GIANT ECONOMY LIKE THAT OF THE UNITED STATES, IS EXPERIENCING DIFFICULTIES, THE WHOLE WORLD SUFFERES. PEREZ GUERRERO EXPRESSED CONFIDENCE IN THE U.S. ECONOMY, DESCRIBING IT AS THE STRONGEST IN THE WORLD, IN SPITE OF CURRENT DIFFICULTIES. NEVERTHELESS U.S. MONETARY RECOVERY WAS ESSENTIAL FOR WORLD ECONOMIC STABILITY. IF CONCERTED ACTION IS REQUIRED, OPEC AND THE THIRD WORLD ARE PREPARED TO ASSIST.

7. NORTH-SOUTH DIALOGUE -THE COMMON FUND. FIGUEREDO AND PEREZ AGREED THAT THE GOV SUPPORTED THE UNCTAD TRADE PROGRAM. THE THIRD WORLD WANTS TO COOPERATE WITH THE UNITED STATES AND OTHER INDUSTRIALIZED COUNTRIES ON TRADE MATTERS. DEVELOPING COUNTRIES WANT TO WORK WITH THE DEVELOPED COUNTRIES AND NOT AGAINST THEM. FOR THE THIRD WORLD, THE COMMON FUND WAS SYMBOLIC; MOVEMENT ON THIS ISSUE WOULD EASE
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TENSIONS AND REMOVE DOUBTS AS TO INDUSTRIALIZED WORLD INTENTIONS. MOVEMENT WAS NECESSARY IN THE NEXT FEW MONTHS. IF AGREEMENT WERE REACHED SOON, PEREZ GUERRERO WAS CONFIDENT THAT ALL OTHER QUESTIONS RELATED TO RAW MATERIALS SUPPLIES WOULD BE QUICKLY RESOLVED. BUT THE INDUSTRIALIZED WORLD HAD TO MOVE FIRST AND SOON, FOR THE THIRD WORLD WAS BEGINNING TO DOUBT THAT THE OECD COUNTRIES WERE NEGOTIATING IN GOOD FAITH.

8. NICARAGUA AND SOMOZA. PEREZ GUERRERO EXPLAINED THAT THE GOV AND OTHER LATIN GOVERNMENTS HAVE THE FEELING THE U.S. WANTS SOMOZA TO REMAIN IN POWER IN SPITE OF HIS AUTHORITARIAN GOVERNMENT AND RECORD OF HUMAN RIGHTS VIOLATIONS. ON THE OTHER HAND MOST LATIN GOVERNMENTS

HAVE THE FEELING THE NICARAGUAN PEOPLE WANT SOMOZA REMOVED. U.S. POLICY RE NICARAGUA SEEMS INCONSISTENT WITH POLICY TOWARD OTHER HEMISPHERE GOVERNMENTS. WE SEEM PREPARED TO TOLERATE AN AUTHORITARIAN GOVERNMENT AND IGNORE THE GOVERNMENT'S RECORD OF HUMAN RIGHTS VIOLATIONS. A CLEAR AND DEFINITIVE STATEMENT OF U.S. POLICY TOWARD THE SOMOZA REGIME WOULD CLEAR UP A LOT OF CONFUSION AMONG OTHER LATIN GOVERNMENTS.
CROWLEY

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